



27 March 2024

Nus Ghani MP
Minister for Europe
Foreign, Commonwealth and Development Office
King Charles Street
London
SW1A 2AH

Dear Minister,

Doc Com (2023) 950: UK/EU Trade in Electric Vehicles

Thank you for your Explanatory Memorandum (EM) on a proposal on UK/EU Trade and Cooperation Agreement (TCA) Governance Document on electric vehicles (EVs) and their batteries. It was considered by the European Affairs Committee at its meeting of 26 March 2024.

We welcome the removal of the tariffs outlined in this amendment to the TCA, and the Government's intention to support the UK electric vehicle and battery manufacturing industries and continue to increase exports to EU nations. We commend the Government for taking this step.

We share your regret that this amendment to the TCA occurred too late for us to undertake scrutiny, because we agree that it has significant implications for the UK/EU motor industries and for UK/EU relations more broadly. We encourage the Government to provide as much notice as possible of any potential future amendments to deadlines within the TCA. That would enable us to fulfil our scrutiny role to the full.

Below are a series of questions on which we seek your response, in the interest of supporting successful UK-EU cooperation in the area of electric vehicles and batteries.

Automotive manufacturer confidence

Given the varied readiness of UK car manufacturers to produce EVs, we agree there is as you indicate a strong case for providing "long term certainty to the sector" (paragraph 9 of your EM). However, there is little evidence of this long-term certainty thus far. The late-notice delay in introducing tariffs risks undermining investor confidence in the stability of the policy and regulatory framework set by the Government. To what extent has the Government consulted automotive and battery manufacturers on tariffs and incentives? Has the Government discussed the implications of this late change to the TCA with the UK's automotive and battery manufacturers? If so, what was their response?

Ready for 2027:

We note the new date for the implementation of a 10% tariff has been delayed three years until 2027. Does the Government have a plan to support domestic manufacturers in order

that they are ready to produce commercially competitive cars with the requisite components of UK/EU origin by 2027?

In the European Commission's supporting documents, they outline "semi-annual dialogues" with their automotive and battery industries. This focus on continuous assessment is an interesting approach, aiming to achieve the 70% domestic battery sourcing target alongside improved battery sustainability.²¹ We would be interested to learn if similar dialogues with the UK automotive and battery industries are planned to foster collaboration and achieve shared sustainability goals.

Ready for 2032 rules of origin:

Given the broad powers in the TCA for the Parties to agree to amend almost any aspect of its application, can you confirm that this extension will be a one-off move to give the UK and EU motor manufacturers time to prepare for these changes (the rationale behind the original deadline of 2024)? Has the Government considered cooperating with the EU to ensure that we are jointly ready to compete openly with China and other manufacturing nations by 2032?

UK/EU trade deficit:

There is a trade deficit between the EU and UK on vehicle trade (1.3 million EU exports to the UK in 2022, valuing €30 billion, against 0.75million UK exports to the EU in the same period, valuing €10.3 billion, according to the European Automobile Manufacturers' Association (ACEA)). Does the Government have plans to ensure the UK's competitiveness in EV manufacture to reduce the current trade deficit with the EU?

Level playing field

We note that the amendment also includes provisions for the Commission to set aside additional funding of up to €3 billion to boost the EU's battery manufacturing industry.²² Such action could go to the heart of the so-called level-playing field aspects of the TCA which seek to regulate the Parties' policies in areas including state subsidies, competition, state-owned enterprises, taxation, and environmental policies.

Is the Government, therefore, content with the EU's plans to assist its motor-manufacturing and battery industry in this way? Does the Government have any concerns that these plans may breach aspects of the so-called level playing field provisions of the TCA? If the Government is concerned that these plans pose a potential breach of the TCA's level-playing field, what action do you intend to take to address the EU's undertakings to its EV and battery industries? Do you have similar plans to boost the UK's EV and battery industries?

We look forward to considering your response within the usual deadline of 10 working days.

I am copying this letter to Sir William Cash MP, and Dr George Wilson, respectively Chair and Clerk of the House of Commons European Scrutiny Committee; Les Saunders, EU Document Scrutiny Manager, Foreign, Commonwealth and Development Office; Sam White, Select Committee Lead, and the Private Office Directorate, Foreign, Commonwealth and Development Office.

Yours faithfully,

A handwritten signature in black ink, consisting of the name "Peter Ricketts" written in a cursive, flowing style.

Lord Ricketts

Chair of the European Affairs Committee